



---

**SF 2387** – Blood Bank Sales Tax Exemption (LSB 5707SV)  
Analyst: Shawn Snyder (Phone: 515-281-7799) ([shawn.snyder@legis.state.ia.us](mailto:shawn.snyder@legis.state.ia.us))  
Fiscal Note Version – New

---

**Description**

**Senate File 2387** authorizes a sales tax exemption for the sales price of reagents and accessory equipment necessary for testing blood at a regional blood testing laboratory that is licensed by the federal food and drug administration beginning on January 1, 2011. The Bill additionally requires that if a regional blood testing laboratory does not exist in the State as of January 1, 2011, the sales tax exemption would be repealed.

**Background and Assumptions**

There are currently three non-profit blood centers in Iowa licensed by the federal food and drug administration with total sales/use tax paid for reagents and accessory equipment totaling approximately \$480,000 annually. If a regional blood testing laboratory locates in Iowa, it is assumed that those sales will shift from the three blood centers to the regional blood testing laboratory.

The three blood centers employ 30 professionals with an average annual salary of approximately \$70,000. Additionally, if this sales tax exemption is enacted, Iowa may be selected as a site for a regionalized testing laboratory that could create 30 to 40 new jobs with an average annual salary of approximately \$70,000.

The Department of Economic Development (DED) estimates that as a result of 40 new jobs, State revenues would increase approximately \$220,000 and property tax revenues would increase by approximately \$90,000 annually. The DED has indicated that there will be additional economic activity within the State resulting from the increase in jobs; however that amount is currently unknown.

In addition to the potential of increased jobs, the creation of a new regionalized testing laboratory would have a budget of \$39.0 million, an increase of \$22.0 million over the current budget of the nonprofit blood banks. Assuming that approximately \$2.1 to \$3.0 million would be used to fund salaries, the remaining \$19.0 to \$20.0 million may have additional economic and State revenue impact, although that amount is unknown. No additional sales tax revenue would be generated directly from the increased budget.

Additional assumptions include:

- Annual growth of 2.0% in the amount of taxable sales for reagents and accessory equipment.
- A total of 40 new jobs would be created as a result of the regional testing laboratory locating in Iowa beginning in FY 2012.

Additional information: According to the Alliance of Community Blood Centers, one or more of the three non-profit blood centers and 30 professionals may relocate out of state if this Bill is not enacted. The centers are located in Sioux City, Davenport and Des Moines. The fiscal impact does not account for this possible relocation.

## **Fiscal Impact**

If a regional blood testing laboratory does not locate in the State by January 1, 2011, there will be no sales tax reduction as a result of this Bill.

If a regional blood testing laboratory locates in Iowa and meets the other specifications in the Bill, the estimated decrease in sales/use tax revenue will be approximately \$250,000 (\$208,000 from the General Fund and \$42,000 from the Secure an Advanced Vision for Education Fund) in FY 2011. The estimated sales tax exemption beginning in FY 2012 and future fiscal years would total approximately \$500,000.

Additionally, if a regional testing laboratory locates in Iowa prior to January 1, 2011, the following potential annual fiscal impact and economic impact will occur beginning in FY 2011 and extend to future fiscal years:

- Additional State income and sales/use tax revenue totaling approximately \$220,000 based on the creation of 40 jobs. There may be additional economic activity resulting from the increase in jobs, but that amount is currently unknown. The statewide model of the Iowa economy utilized by the Department of Economic Development indicates a jobs multiplier of 1.69.
- Potential property tax revenue totaling approximately \$90,000 based on the creation of new jobs beginning in FY 2014. This amount may increase annually and be based on valuation increases and local property tax rates.
- An increased budget for a regional testing laboratory of \$19.0 to \$20.0 million will provide additional economic activity and impact State tax and local revenue but that amount is currently unknown.
- Any State costs associated with the addition of new residents filling newly created jobs are currently unknown.

## **Sources**

Iowa Alliance of Community Blood Centers  
Iowa Department of Economic Development  
LSA Analysis and Calculations

/s/ Holly M. Lyons

---

March 24, 2010

---

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

---